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How Economic Conditions of a country impact its local tourism: Identifying the economic factors influencing tourism sector.

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I hereby declare that the work submitted is mine and that where I have made use of another's work, I have attributed the source(s) according to the Regulations set in the Student's Handbook.

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Abstract

This dissertation was written as part of the MSc in Hospitality and Tourism Management at the International Hellenic University.

The aim of this study is analysis and assessment of the factors that could probably benefit a country or a local community from tourism and the downsides that may occur and affect the community. Economy is a major player in every aspect of our reality as we know it. Being a strong economical country means major investments on many planes of interest specifically on tourism. However, there are many reasons that can affect negative a country's tourism.

One of the goals of this research is to fruitfully analyze the economic factors that tend to impact on the local tourism of a country. The aim of the study is to carefully indicate, unveil and analyze factors that benefit a country from tourism. Furthermore there will be a brief introduction into the structure of tourism industry and the competitiveness surrounding it in order to better understand the matter. Various reviews, comparisons of positive and negative economic distributions on tourism development and tourism models on national level are indicated in the study in order to give the reader a centralized, scientifically based idea on the topic of interest. Most of the developing countries rely on tourism economic contributions as their gross domestic product. Even though, economic impacts of touristic development are normally held to balance economic benefits, there are negative economic impacts that are also apparent and significant and cannot be ignored as an object of the study.

The thesis will probably create major questions and speculations upon the matter that will certainly be answered. This study will be of interest to tourism professionals, academic workers, students and people that are interested in economic indicators and knowledge of Tourism in general. This research will probably aid in better understanding of Tourism economic mechanisms as it provides a major insight on the matter. Tourism is usually referred as having three major types of impacts on the places that tourists visit. Those types are attributed in three groups: economic, environmental and sociocultural in nature. However, some of those impacts have been identified as Tourism effects though they may in fact originate from elsewhere. More direct and liable resources regarding the matter may be the media, advertisement, fashion, urbanization, modern agriculture, forestry projects and government and military activity. While all those factors can be labeled as attributes of modern day societies, there is a wide belief that travel and tourism create impacts including economic ones.

Introduction

It is undeniable that tourism is one of the major areas of interest for humanity in the modern years. People from ancient years used to travel, to explore new places, meet new people, taste new cuisines, experience new adventures and unravel new cultures and customs. It is widely considered that Tourism Industry holds the largest multicultural industry in the world. Tourism in many countries is the main pylon of economic growth. "Hospitality businesses rise employment rates, create new working places for people from all around the world. The economic potential that Tourism has is extremely high. Most countries create destinations that become popular, gather many visitors and spurt the economic growth of the local community or the entire nation." (Tourism Impacts, Planning and Management 3rd Edition, Peter Mason.)

In the recent years, the numbers of touristic expansion have increased globally at extraordinary rates. WTTC (world travel tourism organization) gather data annually from many different destinations and combines the data into graphs and studies to show the pace that tourist industry continues to grow.

Although the Tourism Industry offers those impressive feats to the global community and global economy, in some countries Tourism faces the unavoidable conditions that may be occurring. "Those conditions whether they are social, political, ethical or environmental affect tourism in a variety between positive or negative impacts." (Pforr & Hosie, 2009) In many developing countries, economies struggle making living hard for the local inhabitants. Other countries face political crises leading to wars or disputes of other nature. Tourism is affected greatly and the cost is damage to infrastructure, unemployment, fear of people visiting those countries and damage to the national economy. "Additionally economic crises that may be inflicted by various reasons that tend to damage all the economic areas of interest and industries including the Tourism and Hospitality sector." (Henderson, 2006)

In some cases Tourism Industry creates negative impacts on the community by its turn, the growing hospitality infrastructure tends to alienate local environments and communities, landscapes are changed and the most important gaps in the economy are created because of overpricing procedures, destination branding manipulating the authentic environment and culture of the destination and mass tourism gathering tend to affect communities environmentally. This study will depict the true positive/negative impacts of a community or a nation to the local tourism and vice versa.

Chapter 1: Tourism Industry Attributes

1.1 Tourism Industry

Tourism industry, one of world's rapidly growing economic areas of interest. Tourism is accounted for more than a third of the global trade on the planet nowadays. "Tourism population and arrivals have been growing to significant amounts the last 15 years (5%) with the appearance of conventional travel packages to various destinations, work tourism and the people's need to unravel new places, exotic destinations etc. usually away from one's country of living." (Ministry of Tourism, 2017)

Globalization and the stable falling travel costs enhanced Tourism Industry. "The year 1950 there were mass records of 25 million tourist arrivals while 30 years later those numbers came up to 277 million in 1980. Each year, tourism reported mass expenditure in those numbers leading to huge economic income. The last 25 years, arrivals have increased by 4.3 per cent annually." (Max Roser, 2017, Tourism). "As recorded by UNWTO, it is expected to rise by another 4 per cent annually over the next 20 years.

Of course there were some insignificant drawbacks in GDP in the years 08-09 but still in real terms the amount is impressive enough US\$852 billion." (2 UNWTO: World Tourism Barometer, Madrid, June 2010, p. 5.)

In recent years, air transports have increased above any transport leading to low-cost tickets, discounts and air packets to various destinations. This affected the tourism industry in many of its regions.

1.2 A worldwide industry

The tourism industry is diversified into many subsectors of interest and business orientation. In particular the hotel and cater sector are characterized as businesses ran under their auspices. "Some of the greatest hotel brands in the entire world include mass collection of hotels up to 5.000 each that employ more than 100.000 employees in many countries. Internationally, 20% of hospitality employees are into multinational enterprises whilst the remaining 80% in smaller businesses" (Hotels; catering; tourism and employment, ILO, Hotels, Catering and Tourism Sector.). "The estimated number of smaller hospitality businesses is around 2.5 million globally" (Facts and figures about European tourism). Larger hotel chains particularly are keen to employing people from North America, Asiatic Countries, UK and some Northerner countries. The big hotel chains identify themselves as innovators and they set the new trends and

products of the whole hospitality industry, subject the global audience to new exotic destinations and baptize places as touristic. Many smaller businesses are influenced by this healthy tourism advertisement. Some of the major players in the industry include IHG, Wyndham Hotel Group, Marriot International, Hilton etc.

1.3 Tourism Competitiveness

The model of competitiveness in the tourism industry is pioneered by studies that were published at the end of the last century. The competitiveness of a particular tourism destination against another one is defined as its capability to attract large amounts of tourists in combination to the increase of financial earnings through tempting offers of one in a lifetime experiences and vacations. “It is also specified that certain investments have to be made in touristic infrastructure for the well-being of the residents of the destination and there must be steady improvement of the natural plane of the destination so that it will continue to be a tourism destination for the future years to come.” (Designing for Quality of life, 2020, Annals of Tourism Research)

Despite the fact that this is a significant step towards the prosperity of the tourism destination, there might be some obstacles especially when in process of analysing the registry of data that gives insights on the degree of attraction of a geographical location. This measurement of tourism competitiveness is maybe one of the most complex tasks while it cannot be directly observable. It is a subjective matter and is depended on factors such as the approach of the researcher, the goals of the research etc. That is why there are certain models used to assert competitiveness in order to diversify between comparative and competitive advantages of tourism destinations. “The most designated of those models are Porter’s model of competitiveness, the Crouch and Ritchie model of competitiveness, Kim’s model of competitiveness and the Dwyer-Kim model of competitiveness” (The Evolution of Tourism Destination Competitiveness (TDC) Models). Those models offer variable feats and knowledge that’s enhance tourism competitiveness.

1.4 Impact of Tourism Industry on National Economies

The impact that tourism has on national economies is scaled by average Tourist consumption on products and services. Those services include accommodation, food and entertainment, transit etc. This way the product that a destination sells strengthens the economy of the entire nation and

furthermore creates room for job recruitment. Tourism sector additionally impacts on other areas of the economy by creating new employment opportunities (construction, retail and trade, manufacturing etc.) Tourism demand of goods and services contribute to the general good of a community and a country, infrastructure being built such as new roads, bridges, airports, ports, energy, water etc. that deliver to the general prosperity of a country and to the locals. Activities like those mentioned provide to the national income great amounts of wealth and to the income of locals and their households. The revenues being made by the tourism sector usually finance larger areas of economic interest that contribute to the national economy.

The measurement of economic impact of tourism on national level economies has to be defined on the direct and indirect effects of tourism consumption. The direct effects are referred to the value being added in the sector of local communities, businesses that create transactions and contribute taxes to the country. Those effects equal the overall turnover in the tourism sector. There are certainly other economic leakages of smaller scale that are not included inside those factors. The indirect effects are the contribution and investment on other industries by the national economy in order to enhance tourism and produce the touristic output needed. The induced effects are the results of indirect ones, the spending of resources for tourism enhancement. Everything contributes to income influx which in turn creates a circle in national economy, bringing incomes back on other goods and services that are created within the national economic system.

Tourism industry as described in other sectors of the study is a rich industry. An industry comprised of economy, labor force, experiences, destinations, cultures and traditions. "It is a profitable business that brings benefits to a national level. Tourism has three types of impacts on the destinations" (Cooper, Fletcher, Gilbert & Wanhill 1993), these are economic, environmental and socio-cultural. "A number of these impacts originate from other sections of economy. Instead, more appropriate sources may be the media, the advertising and fashion industries, new industrial development, urbanization, modern agriculture, mining and forestry projects, and government and military activity" (Burke & Gitelson, 1990). One of the most important impacts of the tourism industry is the increase in revenues, the expansion of services and products, investment increase and improvement of local population level and financial growth. The negative impacts of economic nature are the leakages that can be caused,

the costs in infrastructure and the economic dependence of tourism businesses.

Chapter 2: Policy and Tourism

2.1 Political Environment of a Destination Country

One of the important economic factors that affect a tourism destination and need to be taken into consideration is the political situation of a tourism destination. Politics play a crucial role in the development and stability of a country whether it is of economic or social nature. The policy of a country usually determines the behaviors of major areas of economic interest, one of them being the Tourism industry. Stable political environment attracts major tourism brands and investors willing to invest and create a new destination or enhance a well-known one. “On the other hand, a country with political instability frightens investors eventually forcing them out of the economy and thus posing as threat to the tourism sector”(Todaro 2005). “Political instability is a complex and multidimensional term with various conceptualizations and interpretations”(Gupta 1990, Sanders 1981, Andriole and Hopple, 1984). “It is described as a condition of a country where a government has been toppled or is controlled by factions following a coup or where basic functional prerequisites for social-order control and maintenance are unstable and periodically disrupted” (Cook 1990 cited in Sonmez 1998,p.420).

The worst countries hit by unstable political climate are usually developing nations of the Middle East, Africa, Latin America and Asia. “In those countries the environment is deemed unstable and unpredictable followed some times by military conflicts or major criminal activity pioneered by political interests, in most cases, such environments trigger anxiety in economic activities and Tourism” (Lokman& Hatemi 2005).

2.2 Politics and Tourism

Politics and Tourism is a concept that may sound differentiated against one another but in fact they are directly linked. It is widely believed that tourism could be used as tool for economic enhancement, politicians on the other hand may use it for political interests. In a study made by Edgell (1990) it was stated that “the highest purpose of tourism policy is to integrate the economic, political, cultural, intellectual and economic benefits of tourism cohesively with people, destinations and countries in

order to improve the global quality of life and provide a foundation for peace and prosperity:” (Edgell, Hall 1996, p 37). The relationship between political instability and Tourism is a complex matter as mentioned above. Both government and tourism officials many times are being negative on taking decisions to identify the political role in tourism. That’s the point where the studies or the surveys get stuck and fail to produce results upon matter. There is no substantial methodology in conducting those certain type of experiments.

2.3 Negative effects of political instability

Through the years there have been several cases of terrorism and political unrest that have affected tourism in many countries. Tourism was hit rough by military coups, political violence, civil wars and terrorism. These factors appear to have a major negative impact on Tourism and Economy. Tourists need to travel safe and be safe and secure at all times during their vacations, normally they would avoid anything stressful and dangerous. “Additionally, in many cases damage to infrastructure and hotels is reported, travel agencies cancel tours because of insufficient bookings and fears of liability suits and in those cases other destinations are promoted” (Neumayer 2014). The lack of security decreases the perceived satisfaction of an experience and the costs of additional protection and insurance raise the overall costs of travel.

The effects of instability on Tourism cause great economical, structural and ethical damage all in all, wound a destination’s brand and discourage international tourism movement.

Chapter 3: Attributes Of National Economic Systems

3.1 Characteristics of a Country’s Economic System

There is a wide variety of factors and attributes that an Economic system consists of with the key economic factors that are four in number and are referred by economists as the Macroeconomic variables: The aggregate output or income, unemployment rate, inflation rate and the interest rate. All these tools are important in defining the process of the economic mechanism within a country and understanding how the Economy functions.

The overall economic activity of a nation is estimated by the aggregate output. “Since income is generated by production of goods and services,

aggregate outputs are usually connected with aggregate incomes in the process of economic functionality.” (Global Economic Issues and Policies, Joseph P. Daniels, David D. VanHoose).”The globally accepted term for aggregate outputs is GDP or gross domestic product. GDP is a measure of defining the goods and services value in the market. All services and products including the Tourism Industry are included in the GDP and are adjusted in national market prices.” (Thayer Watkins, San José State University Department of Economics, "Gross Domestic Product from the Transactions Table for an Economy, pg- 23-24) Products or services that are too old or out of date are concluded. GDP is a used by governments as measurement tool of national economic activities. Another similar definition for GDP is called GNP (Gross National Product). “Usually GDP defines the areas of economic growth within an economy measuring the growth and prices of the products and services produced domestically. Often the 3% benchmark of the economy is considered a good GDP indicator levels.” (Real World Economics, Understanding the Gross Domestic Product and the Gross National Product, Corona Brezina).

The next important macroeconomic trait is the level of Employment generated within country. “Employment meter defines the level of labor force working and generating income within a nation”. (Deakin, Simon Wilkinson, Frank, 2005, The Law of the Labour Market.) This force is not only consisted of able-bodied people or able-working age people. It is formed by people working and by people seeking to work. That is how unemployment is a part of the general trait. Unemployed number can never be brought to zero for various reasons. It is expected by economists a percentage of labor force to be unemployed at all times. So even with minimum unemployment rates the economy is expected to be at full employment. When the unemployment rates rise, worse economic conditions are expected.

The third variable is known as Inflation. “The inflation rate is the process of changes in the prices of products or services.” (Robert Barro ,Vittorio Grilli,1994, European Macroeconomics, Ch.8, p. 139) Economies in developed countries retain positive inflation results through the years. “The prices are measured by a specific variable named the price index that measures the levels of prices in the market at certain points in time.” (Robert Barro ,Vittorio Grilli,1994, European Macroeconomics, Ch.8, p. 145)There are three variables of price indexes reported periodically by economists and governments each with its own unique traits: the consumer index (CPI) measuring retail prices paid by consumers to buy products or services, the producer price index (PPI) is a measure of price index on a larger scale and amounts of products, the third measure is called implicit GDP price deflator measuring goods and services prices calculated within

the GDP. Inflation numbers appear ideal when all of the indicators are on the same level.

The last macroeconomic trait is the interest rates. They are widely used by people all over the world to estimate prices of products or services. “The interest rate includes rates of savings, deposits, mortgages of long duration, mortgage rates, lending rates, bond rates. Rates are closely associated to each other.” (Homer, Sidney, Richard Eugene, 1996, “A History of Interest Rates”.) When an economic transaction for example includes loans, loans in turn are connected to treasure bonds and their duration meaning that different rates give different bonds. Higher interest rates upgrade the prices on loans making them more expensive. In general when interest rates are high, fewer businesses buy and invest, the amount available for funding is lowered and the consumption demand is smaller. High-interest rates also reduce the capitals for business growth, this reduction in cash flows and liquidity slows down the economy. On the other hand, low-interest rates have the opposite effect. Lower-rates mean more opportunities for investment, loaning and purchases. Stock prices are upgraded enabling financial growth of individuals or business expansion. A negative side effect is that Inflation can be caused through the liquidity of cash flows and the rise of prices.

3.2 Interest Rates and their Impact

Most countries with strong economies through the world embrace a floating exchange rate, meaning the value of the local currencies is adjustable to the rates of the foreign exchange markets. Interest rates are becoming affected by various technical and basic factors often floating in the same state of the economy, adjusting to the market objectives. Some of these factors include interest rate differentials, supply and demand, economic performance etc. Running a tourism leisure business for example, leads to direct impact with these factors and with different currency rates because of the diversity of your clientele concerning different nationalities. “Dictating business growth is depended on the strength of each currency against other major ones.” (“Handbook of Macroeconomics”, Vol.2A, John B. Taylor, Herald Uhig pg45.)

Most people travel for leisure than business. Tourism is an industry which develops trends and habits based on different factors internal or external. Those factors may be set by any kind of media exposure. Media concerning tourism especially can be based on surveys, professional or

academic research, advertisement campaigns towards vogue tourism destinations etc. Over time, trends are influenced by the global economic situation and currency rates are largely impacted on.

Usually when a certain currency has major advance against the others in a country, it is explained as an effect of appreciation from the tourists coming from the country of the currency's origins. They are able to get excellent exchange rates and in advance spend more at hotels, restaurants and other attractions and have a better time. In that way there will be more business interest for foreign investments in the destination country, as they will be able to take advantage of their strong currency against the local one. On the opposite side, when the currency falls on the economic charts for a respectable amount of time, travelers outside the country will then have to shell out even more money in foreign destinations. "So some favorite destinations may show a decline on tourism arrivals because of their higher currency rates, tourists will choose to go to a country where they will be able to get better value for their currency. Some may prefer domestic tourism. This is the effect of depreciation." ("Marketing and Managing Tourism Destinations", Alastair M. Morrison, 2013.)

Tourism is by nature a global business sector. Most companies make transactions that involve economic action from foreign investments using their local currencies, those currencies as said before are dependent on currency markets which can rapidly change in a matter of minutes, that matter exposes tourism businesses in economic uncertainties plus the economic protection provided is not efficient in protecting margins, stocks and exchanges. "Negative exchange rates especially during critical times, seasonal months, lead to cancellations of booking, adjustments concerning dates and rescheduling which is harmful for tourism businesses." (Homer, Sidney, Richard Eugene, 1996, "A History of Interest Rates")

Chapter 4: Sustainable Development of Tourism

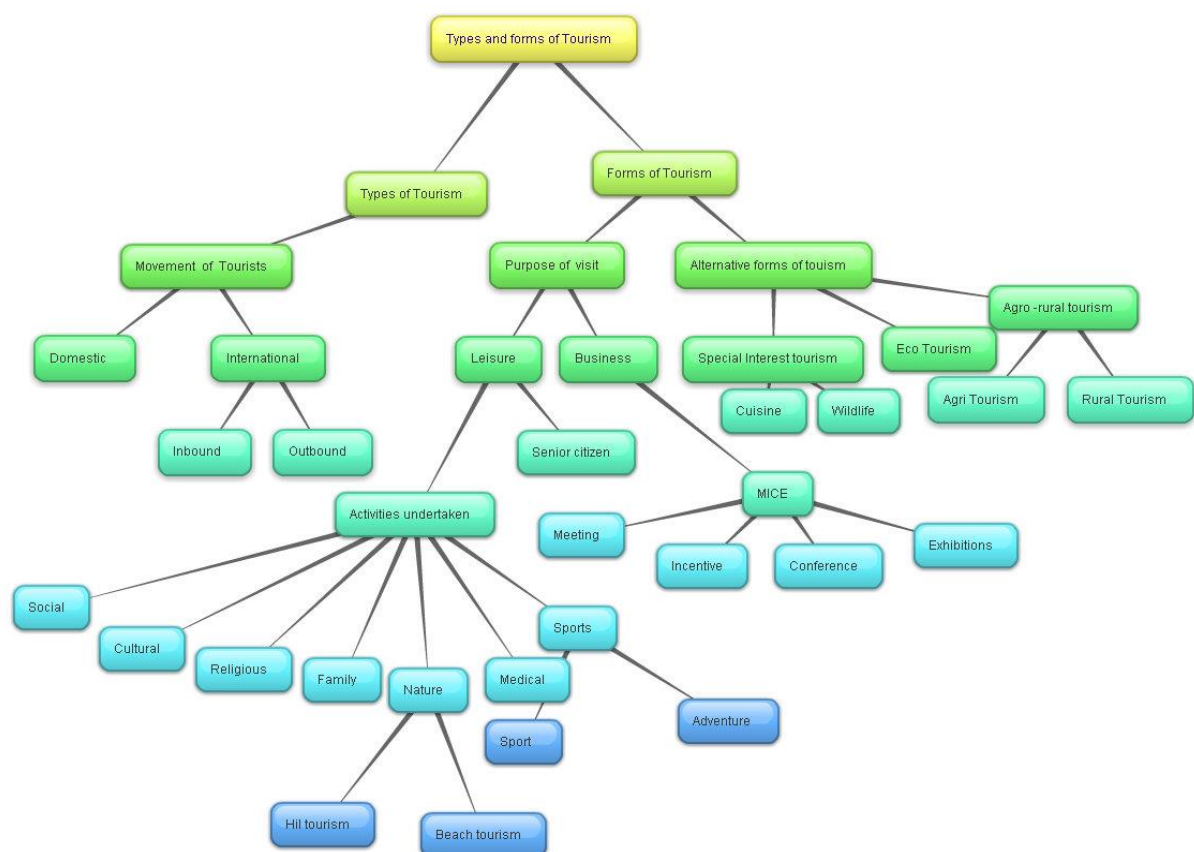
4.1 Measures of Tourism Economic Development

Tourism statistics analyze and give broad characterization on tourism products as products that in absence of touristic activity in a country, would cease to exist in large quantity and in advance the level of consumption will be reduced in a significant numbers, so it seems possible to gather statistical information on those products. When the specific tourism product that needs to be analyzed is defined, the identification process of tourism characteristics is ended, they are now

identified as productive activities that's produce output and generate income which is identified as tourism productivity. The process of determining the tourism product under certain factors or criteria, define some activities as touristic due to their importance to visitors even though they are not considered to be consumed by visitors.

An important feature of tourism characteristic activities is that they must provide services for their visitors all by themselves. The relationship between provider of product and service and consumer is direct. Though in the process of delivering goods, direct physical contact is involved in many cases, the term of contact must be defined on terms with the goal of measuring the economic impact process of tourism.

So as touristic measurement methods we include the physical indicators associated with the flow of visitors. Those flows usually referring to one-day trips, transports, are the base of researching of tourism activity from the demand side. Nowadays countries though, need more information more precise indicators in measuring the economic contribution of tourism. The main goal of those researches is to estimate the advance on different forms of tourism.



Source: 'oer.nioc.ac.in-conceptmap forms of tourism.png'

The table above defines the different forms of tourism that exist and gives a hint on the various tourism activities that contribute to the overall

tourism economic mechanism and areas of touristic transactions, service provision. The forms of tourism are defined into subcategories depending on the purpose of visit (leisure, business) and the alternative forms of tourism (special interest, eco, agro-rural), those types of tourism are then divided into even more specific subcategories depended always on the needs and wants of the visitor. On the other side the type of tourism is defined from the place that a tourist chooses to vacate, either international or domestic. For the international ones specifically there are the inbound or the outbound movements. Here on this part of movements we base upon top priorities for estimation of economic expenditure.

In the case of inbound and outbound tourism, measurement and characterization of the numbers of visitors is based on foreign arrivals for a duration of less than a year, it is performed in places of entrance (ports, airports, borders) using various means or surveys. In some countries the accommodational numbers of foreigners are being used as a tool of measurement.

On the other side, for domestic tourism UNWTO considers using household surveys for measuring domestic tourism movement. Usually national demographics are being used or traits considering social and economic definitions. The final estimation of tourism spending is calculated by the number of arrivals/departures and the average daily expenses of tourists. Again this data is provided by surveys and tourism business logistics. “Measuring tourist supply by the side providing services is linked to the size of consumption of different types of services. Therefore tourist ratios must be estimated.” (“Introduction to Hospitality”, John R. Walker, 1995.)

4.2 Importance of Tourism on Global Scale

Annually, Touristic associations and tourism business clubs publish graphs and performance statistical boards for Tourism, covering over 160 countries and regions around the world. Their methodologies include broader studies and coverage of expenditure internationally. Demand of tourism is consisted of expenditures of travelers. Some of these records, specifically for business-associated tourism include investments, large capitals of tourism businesses, amounts spent by governmental branches for tourism promotional agendas, security, sanitation service and funds provide to museums and places of cultural heritage in order to cover important economic gaps. Moreover, satellite accounts of these studies analyze exports of consuming goods that are resold abroad to customers, as well as investments being made in the tourism industry and transports that are being taken advantage of foreign companies. Satellite accounts

that provide the necessary information about all these estimates are so important and inclusive that can dig deep inside economic estimates about foreign transactions, economic contributions that are sold directly to tourists and contributions to the broader channel of economy including major capital investments, trade exports etc.

Accounts made by WTTC (World Travel & Tourism Industry) suggest that “in 2019 the industry experienced a 3.5% growth, outnumbering the global economy growth of 2.5% for ninth consecutive year.” This statistic is impressive and gives a glimpse on the overwhelming capabilities of Tourism industry on global scale and the effect that tourism has on global economy. Over 185 countries share their tourism statistics in order to amass such impressive numbers. Undeniably Tourism is every government’s best tools of generating employment.

4.3 Sustainable Tourism Economic Development

In the idea of creating a sustainable tourism model, many tourism moguls, associates and scholars agree that’s it is possible. Although, it is need to be taken into account from all the aspects of the matter, economic, environmental, social and cultural. UNWTO suggests: “1)making optimal use of environmental resources that constitute a key element in tourism development, while, at the same time, maintaining ecological balances and helping conserve natural heritage and biodiversity, 2)respect the sociocultural authenticity of host communities, conserve their built and living cultural heritage and traditional values and contribute to intercultural understanding and tolerance, 3) ensure viable, long-term economic operations, providing socioeconomic benefits to all stakeholders that are fairly distributed, including stable employment and income-earning opportunities and social services to host communities and contributing to poverty alleviation.” (UNWTO, Sustainable development).

Concerning upon the negative effects of tourism, tourism sustainability is a major trait that will base future economic growth, investments and nullify possible negative effects on the environment and culture of destinations. Through this process, policymakers and tourism operators (T.O) became aware of maintaining uniqueness, authenticity and an emotion of respect towards tourism destinations in order to maintain their unique traits and attractiveness towards touristic interest. Tourists nowadays are becoming more and more aware of the inhabitants and destinations that they visit, they become demanding towards the whole pack that a destination provides. Though while we live in a world that eco-growth is becoming popular and the need for ecological solutions to

battle certain negative effects on nature are mandatory. In such fashion does tourism industry try to maintain environmental quality of a destination. Those destinations and their local communities in turn have to conserve and improve their own environment in order to add to the overall value of the destination and improve their branding as ecological and clean environment. "Most importantly it must be done for the sake of the environment. Sustainability is a powerful marketing tool and can also provide a great deal of insight to tourism operator and services providers with a competitive edge in the tourism industry." ("International Cases in Sustainable Travel and Tourism", Pierre Benckendorff, Dagmar Lund, 2013.)

Governmental powers and private tourism-sector business moguls engage in various procedures to help make tourism even more sustainable. Infrastructural level and supply provision power are important tools on ecological sector growth which in turn will generate massive economic advance. Sustainable Tourism must be based on strong policies and institutions, so that the tourism activities will meet the economic goals, reserving environmental and social goals. Some of these goals include: 1) Promoting environmental destruction awareness, 2) Showcasing methods and instructions on environmental conservation, energy and water eco consumption, 3) Union of government and private sector in order to solve environmental issues in tourism, 4) Infrastructural upgrade of tourism facilities by the government in areas where private investment is unlikely to take place.

UNWTO has already begun to implement some of those steps in order to upgrade tourism sustainability. Their main goal is to generate associations for more precise results over time and more coordinated efforts. Promotion of sustainability is a complex matter as it involves world-wide effort actions, adapting new technologies, eco efficiency etc. Finance and investment is one of the most direct linkages with sustainability. As said sustainability is a tool of financial improvement and great influx. Tourism may have a major role in the transitional process of low-carbon emissions and resource efficiency in the years to come. Tourism's connection with all the other sectors due to the process of economy makes it an effective factor on the impact of sustainability to the world. The Agenda for Sustainable development constructed by many countries uses Tourism as a main weapon of promoting sustainable assumption and new production blueprints that are efficient in less usage of resources with excellent results in economic outcomes.

Chapter 5: Impacts of World Economic Crisis

5.1 Economic Crisis Impact on Tourism

Tourism, as defined by the definition of famous St. Gallen, depicts a whole new environment of experiences from travelling and foreign sensations from people who travel to new destinations. A huge industry, Tourism is structured into different sections, offering different products, experiences that are consumed by tourists during their holidays. Correct function of such a large scale of business activity such as Tourism, needs direct involvement of almost all other sectors of economy. That is why an economic crisis can be a fatal situation for every sectors including tourism. “An economic crisis can have a significant effect in the country from a socio-cultural perspective as well” (Henderson, 2006). The decrease in economic involvement typically following a major crisis such as the Covid-19 pandemic that the world faces nowadays, leaves huge gaps and linkages on the tourism sector as well. Employees face the dangers of unemployment. Tourists are forced to cancel their holidays due to economic or social factors or rearrange due to reductions on income. Yeoman (2012) stated that “the economic crisis affects the consumers in such great degree that tourists start to change their minds about the whole travel and stay experience.” They turn to environmental issues concerning tourism and social responsibilities of a country regarding these issues. This process of mindset is called ‘green consumerism’. Nowadays tourists seem unwilling of paying full prices on products and services, they seek discounts and better rates connected to attractive vacations.

An economic crisis will hit tourism from both economic and non-economic sides. If we consider using a microeconomic approach, an economic crisis will adjust incomes and prices and impact tourism. The reduction of GDP (Gross Domestic Product) and the income, manipulates economy badly. “During a recession which is defined as a situation where the GDP is negative for two or more consecutive seasons the consumers are very likely to experience a change in consumption habits” (Du and Kamakura, 2012, p. 229). Tourism consumption is affected double by the reduction of income. Tourists are forced to change the destination that they were used to enjoy going or adjust the length of holidays to less duration. Secondly, the reduction of income immediately rearranges the choices of vacation type, destination and services. Tourists will tend to travel domestically than internationally because travelling abroad requires income flexibility. Domestic tourism means that the residents of the country choose to travel to destinations inside their own country.

Domestic tourism of course differs from country to country. In bigger countries it affects more positively employment, local economies and outbound tourism.

“The International Financial Crisis that begun in 2007 wounded the global economy in a larger degree than Great Depression of the 1930s” (Melvin & Taylor, 2009). Most of industries involved including Tourism and Hospitality faced a generous amount of challenges and the crisis impacted them directly. The large capital markets begun to shrink and the overall consumption of tourists and investors was decreased drastically. Touristic businesses reported large leakages in sales, bookings, vacation packages, foodservices and transports leading to direct bankruptcy for some of them. “A significant decline in the average expenditure per guest was also reported” (Pizam, 2009).

Particularly, in one of Tourism’s fundamental sectors, the hotel industry, recession inflicted serious issues. Despite the fact that the situation was critically serious, some hotels in certain global sectors, specialized in leisure tourism managed to remain operational on a large degree retaining minor drawbacks. “The popularity and growth of the luxury hotel segment in recent years suggests that a strong rebound may not be unrealistic” (Banksy, 2009).

Many studies conducted by UNWTO and other private researchers, indicated that in Europe the economic impact was divided into bad hit countries and less bad hit, Europe then steadily rebounded the situation and started getting better especially in coastal countries with higher temperatures (Greece, Spain, Italy, Portugal). In Asia the situation was averted spectacularly, reflecting improved regional economic results and ventures. In America, specifically the Caribbean island showed steadily growth in a few month time. In the Middle East, there was reported a minor drawback in comparison to before the crisis but the results were hope-giving. Last, Africa was preferred again by tourists, specifically sub-Saharan regions which helped rebound crisis. Hotel room prices were lower and started stabilizing. In developed countries where economies are strong enough, tourism recovered at a faster rate and with better rates and margins.

“Travel and Tourism industry is slowly recovering from the economic downturn, with the strong recovery being in emerging economies.” (World Economic Forum, Travel & Tourism Competitiveness Report 2011, Beyond the Downturn).

5.2 Economic Crisis impact on Greek Model of Tourism

Greece, well-known since ancient times, is a European country with rich religious, intellectual and historic background. Greek tradition is directly

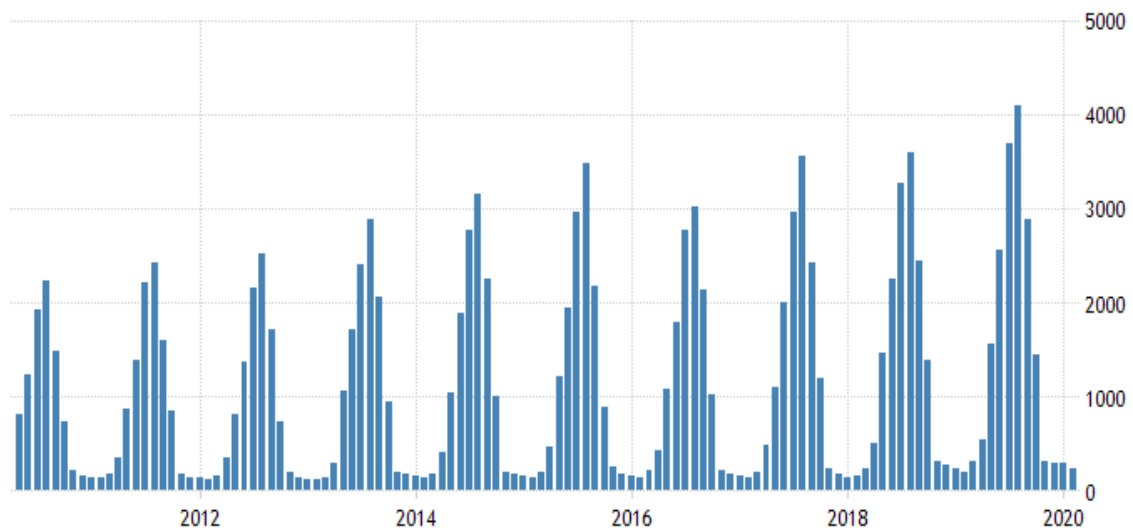
connected to tourism and hospitality. The country's history and culture is vast and the effect that Greece has on international level is globally recognized. Greek touristic demand started rising from the start of 1950's. Tourists craved for Greece's sandy beaches, hot temperatures, beautiful landscapes fused with traditional Greek hospitality, Mediterranean temperament and excellent cuisine. According to UNWTO, "in 2013 only Greece had 17.9 million tourists that accounted for more than 12 billion euros. Greece has a large share of the international tourism arrivals and dominant figures on international tourism market". All in all, Tourism in Greece is accountable for a major contribution of 16.4% to the national GDP and employees 18.3% of people in the country according to SETE. After 8 years of economic recession and the struggle of Greece to meet the requirements of its lenders in order to wipe the public debt, Greeks turned to inbound tourism in hope of generating new economic growth helping rebuild the country's GDP and resolute unemployment levels that had sky-rocketed (26.9%) during these difficult years. Domestic tourism suffered the most of the impact because of its economic distribution channels being inside the national economic system (Greeks visiting destinations inside Greece). Outbound tourism in turn had negative impact on Hellenic hospitality. People's economic distribution was resulting to foreign destinations thus not encouraging economic growth within the country and contributing more to unemployment.

Tourism is considered one of the country's main economic sectors that contribute to GDP and fortify the Greek economy with employment as mentioned above, foreign investments leading to growth and support towards other economic sector of the Greek economy. Greek Tourism was affected by the international financial crisis of 2007. The results of the impact of the crisis can be distinguished on two different situational sections of tourism, inbound and domestic tourism. Greece basically being classified as a touristic country was expected to be hit more than any other European countries on the Mediterranean coasts.

The crisis in Greece unfortunately constructed bad image for the country to international eyes, resulting in disappearance of major brand names and companies that led the Greek economy and fame into the international charts and news feeds. "Increased perceived country uncertainty may discourage visitation leading to reduction of inbound tourism due to its inherent risk-aversion" (Araña and León 2008). One of the side-effects of the economic crisis that occurred in Greece was a decrease of leisure tourism because economic activity was hitting low levels, this results in a total loss of economic interest and fall of structured economic systems leading to dominance of certain companies and opportunities and services. As an example the fall of Athens Airways, a prolific company with great history in Hellenic transports. After the company's declared

end during the recession the active competition between Greece's major air providers was minimized leading to expensive rates and prices and lower quality of service. Unfortunately, Greek tourism faced combined pressure of foreign TOs who demanded a piece of Greece's tourism for their own, setting their prices and adjusting their touristic monopolization.

Greek Tourism Revenues

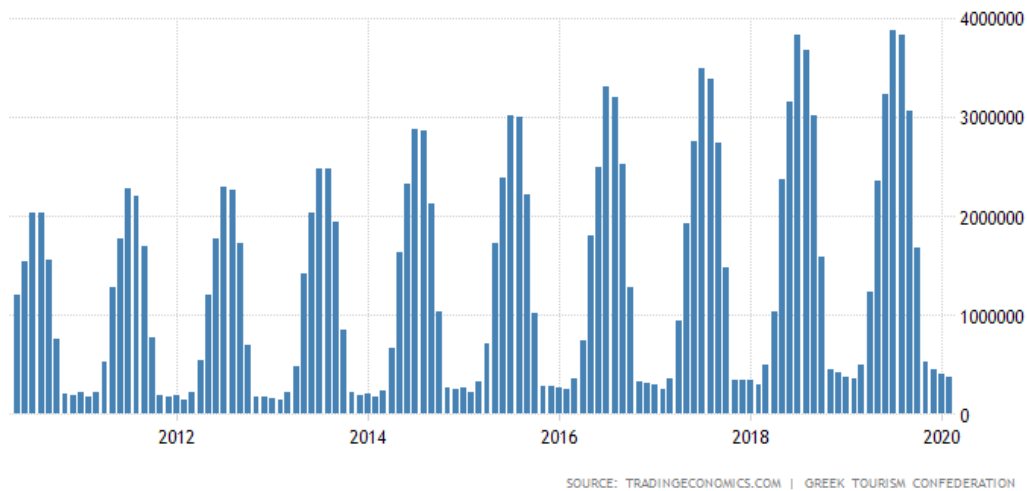


SOURCE: TRADINGECONOMICS.COM | BANK OF GREECE

Actual	Previous	Highest	Lowest	Dates	Unit	Frequency
240.35	286.61	4104.40	109.00	1997-2020	EUR	Monthly

In the chart above, statistics are given about the tourism revenues that Greece generated from the period of 1997 til 2020. All these years Greece had and impressive average of 935.54 million reaching an all time high of 4104.40 million. The actual revenue as of now ranges at 240.35 million and the previous year Greece had 286.61 million in overall revenue. The lowest price ever was recorder in February 2003 at the start of the economic recession, 109 million EUR. (numbers and charts provided by tradingeconomics.com).

Greek Tourism Arrivals



Actual	Previous	Highest	Lowest	Dates	Unit	Frequency
367378.00	407256.00	3881988.00	140107.00	2007 - 2020	persons	Monthly

In tourism arrivals there is major increase since the start of touristic activity in Greece in 1970. The average arrivals each year from 2007 till now is 1.200.000 arrivals. The highest number was in the previous year, 2019 when the number was sky-high at 3.881.988 arrivals. 2019 was the most successful year in Hellenic tourism till now. The lowest record for tourism arrivals was set in February 2013, numbering only 140107 arrivals. (numbers and charts provided by tradingeconomics.com).

Greek tourism will continue to prosper, Greece's geographical place will always give the edge to hospitality and foreigners crave for the Greek summer. It is a just described to what degree an economic crisis impact on such large scale economies such as Tourism.

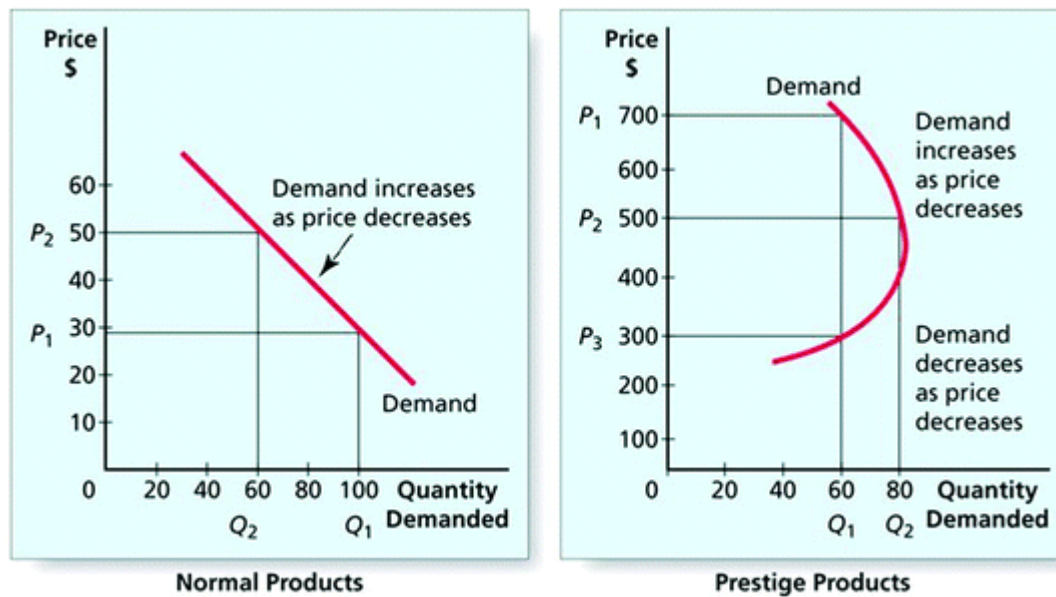
Chapter 6: Economic Factors Influencing Tourism

6.1 Factors Affecting Tourism Demand

The demand for Tourism can be directly affected by marketing mix elements including the product's nature, the distribution to the local economic systems, the promotional campaigns and strategies organized and the price rate. Price is the main marketing element for producing income. Setting the price though is not an easy objective, pricing requires combination of strategies from the businesses including pricing based on costs, penetration pricing, differential pricing. Which type of strategy will be used is determined by the marketing and corporate objectives of the company, the costs levels etc.

Tourism demand is additionally affected by the costs of vacation in a destination. High costs lower demand in the majority of population with a standard income. Another important factor is the reputation of the location. This depends on what the location has to offer to the tourist, from commodities, attractions, entertainment, food etc. The most important factor as mentioned in other sections of the study is the local economy.

Usually, the main key factor in determining whether a product price is satisfying is the customer. The customer makes the judgement on a product's price if it is equally adjust to the quality of service it provides. The demand here plays a crucial role, usually converting the product's prices controls directly the demand. Higher demand means lower price, lower demand means higher price. "To illustrate the effect price has on quantity, the economists use what is known as the classic demand curve". (Irvin Tucker 2008, Survey of Economics.)



Example Source: “Tourism Supply and Demand”, Travel marketing Mark Anthony Camilleri, 2018.

In the figure above, it is an illustrated example of a demand curve. The demand curve is an indicator of the relationship between price and quantity. Prestige products are those that are believed to deliver more value to the consumer than the normal products.

6.2 Factors Affecting Marketing in the Tourism Industry

Marketing is a great tool of destination promotion and advertisement. Marketing is used through social media, television and any sector related to public eye. Relating to Tourism, marketing is a way of encouraging people to buy a product and service of a destination. It is primarily driven by economic factors. Tourism marketing uses certain feats of a destination in order to unravel its uniqueness and significance, those feats typically festivals, great events, art, history, monuments. These types of marketing are distinguished between paid marketing which maximizes the returns of investments made through paid media exposure and no-cost marketing, through the increased media attention and global exposure a destination gets without financial investment.

Also, seasonal periods are importantly connected to the Tourism industry. Most of the travel destinations and their products have at least

one high and one low period of tourism arrivals. Low periods have lower rates which meaning lower prices, discount packages, cheaper transport tickets but less interest in tourism. High periods usually have the media attention meaning high prices, all the expenses associated to tourism increase as does the media exposure costs. Most of the companies invest on high season large amounts of fund to marketer their products. Overall the marketing is affected depending on the season.

Currency rates and equities between countries and their different currencies affect the tourism marketing in overall. This means that travellers for example from China would reduce their arrivals in Italy if the Yen would get lower than Euro, this would mean that they would have to spend in higher rates than theirs so that's why they would gradually avoid going there. In this case, marketing may increase in an attempt to nullify the effects of currency fluctuations. Or the marketing will reduce, waiting the currency rates to go back to normal.

A marketing campaign usually takes place when areas or new destinations are formed through renewal and renovation in order for the destination to receive a media baptism. That is where tourism and government share a direct connection. The government usually funds these campaigns and help tourism get promoted. Annual revenues and economic growth of tourism help tax payments. That is why in crises like the one currently ongoing with the Covid-19 pandemic, tourism and international transports two one of the top priorities for rebuilding around the world. Tourism Marketing is affected on a great degree and the status of destinations is influenced.

Last but not least, a trend usually developed by people and what they need and crave tends to affect Tourism marketing. Trends determine what the market lacks of and which product should be marketed. Trends most of the times are popular exotic destinations that promise one of a kind touristic experience and provide service also to various special events (weddings, birthday, party etc.). A trend is created by the media and tourism marketers, who can shape entire campaigns and partnerships based on products they think that would turn to trends.

6.3 Socio- Economic Factors affecting Tourism

Though analysing economic factors is the main concept of this study, there are some socio-economic factors that affect the development of tourism which are directly linked to the effects of the economic system of a country. There are four important socio-economic factors that influence the tourism economic development. (Economics of sustainable tourism, Fabio Cerina, Anil Markandya, Michael Macleer, 2010)

Accessibility is a major factor since all tourism areas or destinations have to be easily linked through roads, bridges, railroads. Tourists need to have easy access to everywhere in order to explore their destinations and fulfill their needs. They need to have multiple options of transport: taxis, buses, boats etc. The level of accessibility of a tourism destination help the tourist determine whether to choose the destination for vacations.

Another important factor is the Accommodation and the level of infrastructure provided to the tourist needs. Tourism always grows in destinations that advertise their facilities and their capabilities to service their guests. Luxury hotels or comfortable hotels are essential in tourist choice of stay depending on their star position. . (Economics of sustainable tourism, Fabio Cerina, Anil Markandya, Michael Macleer, 2010)

Usually large hotel brands take into consideration the lifestyle, standard of living, services and expenditure capacity of clients in order to structure and equip their hotels to meet their standards.

A destination's fame is always valued by the amenities that it has to offer to the tourists. A tourist will certainly value a place by its maintenance level and the availability of sport facilities or facilities of touristic interest (galleries, museums, monuments, sites, ports etc.).

The backbone of a destination's facility and maintenance system is of course the ancillary services that the destination provides. Banks, hospitals, insurance companies and communications-internet spots are crucial on maintain a feeling of security to the tourist and provision with some of the most basic needs. This factor persuades a tourist to stay in a destination for longer periods of time. (Economics of sustainable tourism, Fabio Cerina, Anil Markandya, Michael Macleer, 2010)

Chapter 7: Economic Factors that influence Dubai Tourism Model

7. Economic Factors that Influence Tourism in Dubai

Over the past decades, many countries invested on creating destinations promoting growth of Tourism to strengthen their economies. As a result an increasing number of exotic destinations have appeared on the global tourism agenda as major trends. Modern tourism through this process has been transformed into an important socioeconomic pylon via mass infrastructural growth and investment in cooperation with other industries including food and beverage and entertainment services. United Arab Emirates is complex of countries of great wealth and great economic growth. The rich in oil and minerals, landscape of the gulf peninsula made UAE a major producer in the oil industry contributing incredible economic growth over the years of oil production thus enabling great investors make moves of major scale in various sectors including tourism. The Gulf Cooperation Council stated that Arabic countries started implementing tourism policies and developing mass tourism investments on infrastructure, hotels and entertainment as a source of national economic growth. (Tourism in Dubai: overcoming barriers to destination development, Joan C. Henderson, 2006)

Tourism has been expanding in the gulf peninsula on a major rate. In Dubai the major tourism investments being made enabled the hospitality sector to contribute to the nation's GDP in a total of 5% in just one year. "Many estimated that number to be far more impressive around 20-30%" (Daghfous & Barkhi, 2009). Dubai is a destination of major upgrade and renewal in terms of tourism over the last decades it has become one of the world's business capitals and a major tourism attraction in the middle-east. "Dubai is also considered as hub of all tourism activities in Gulf while economy of Dubai majorly depends on tourism". (Henderson, 2006)

WTTC placed Dubai in an elite level of tourism destinations and indicated that the industry in Dubai has grown to 14% annually (Stephenson

& Knight, 2010). Every year new projects begin construction further enhancing rapid tourism development in the area. “Dubai possesses a significant position in the world tourism and to maintain this position the government of Dubai has strategized to more develop and boost other agencies and industries related to tourism such as hospitality, banking and finance system and transportation” (Marcus, 2010).

Development of Dubai was an alternate process, an idea made out of the waters of the traditional UAE economic systems dependent on oil production. The government reshaped the whole idea of tourism interest in the Gulf peninsula thus financing and creating a wonder-city full of hotels, sandy beaches and business infrastructure. This whole idea attracted the great tourism operators around the world that in turn reached UAE to create major tourism agreements for cooperation. The destination attracts people from all over the world because of its Islamic mix of architecture with modern-western style. “The plan of Burj Dubai in Dubai has globalized its hospitality services by expanding its lodging brand globally to key destinations in the Middle East” (Dunbar, 2009).

The major cause of Dubai’s success as a major lifestyle destination is the opening of opportunities and good investments. In addition the area is so massive, offering tourists various beaches and activities that saturation is avoided. During the last years, tourism has been increasing in a high-speed rhythm showing no sign of reduction. Cash flows are generated, investments are processed ideally and financial growth spurts. “The economic effect on the hospitality sector in tourism of Dubai includes the increased employment level with the increasing development of hotels, increased revenue in terms of tourist arrivals in Dubai” (Sharpley, 2008).

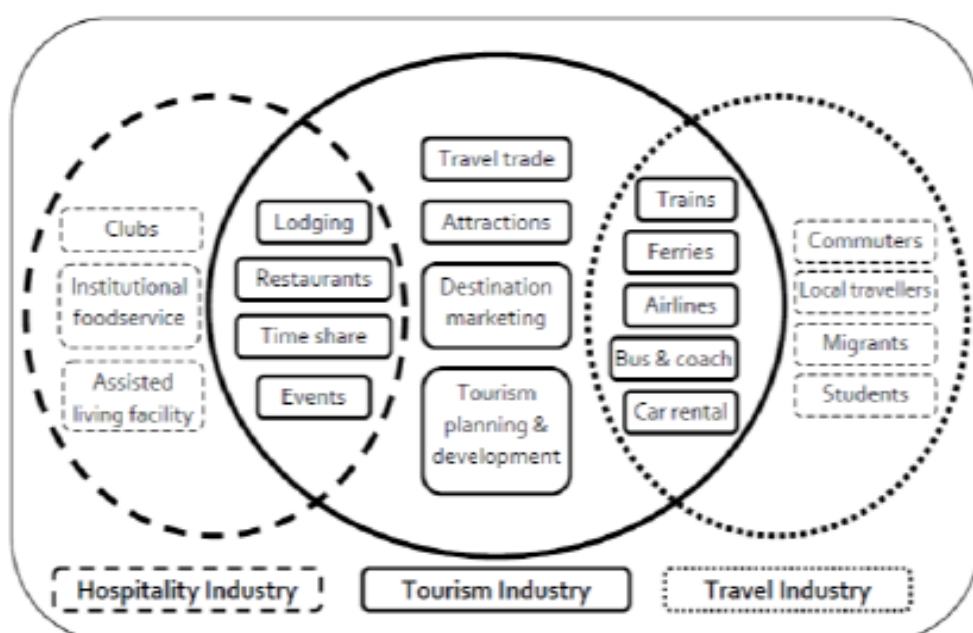
The mass tourism arrivals contribute to the UAE Economy

Dubai is ranked as the fourth most visited city in the world with 14.26 million visitors after London, Paris and Bangkok according to WTTC. “Dubai has the world’s highest visitor per resident rate from 4.9 visitors per resident to 5.7 in a period of 6 years (09-15)” (Dubai Tourism Statistics Trends). The number of visitors by 2020 was increased to 16.73 million

arrivals (AFP, 2020). The number was a bit shorter than the estimated 20 million tourists but it is still dominant and rising. Every year this number is growing steadily. This means that every year the tourism contribution to the annual GDP further increases enhancing economic growth and empowering the UAE economy. The mass tourism arrivals that were reported through these years mean that UAE economy has sky-rocketed to extraordinary numbers. Only in 2015, WTTC stated in a special report that “tourism’s contribution to the national GDP was 36.43 billion dollars or 8.7% adding another 4.4% in 2016 and then steadily growing every year till 2020 with a margin of 5.4%”(Travel & Tourism Impact 2016 United Arab Emirates). Economists estimate that until 2026 there will be a total contribution of 64.47 billion or 11.2% to the national GDP.

It is safe to conclude through these impressive statistics that UAE has made an innovation for the economy by investing in tourism. An investment that had a major impact in UAE economy and branding as a country.

Accommodation and Tourism Service are related to economic growth in Dubai.



Source: “researchgate.net/figure/Tourism-Service-Supply-Chain-System_fig2_269927902”

The figure above indicates and describes the process of Tourism supply chain and the relationship between the three major aspects of tourism. Any aspect of tourism is related inside the tourism industry. Tourism supply chains are composed of hospitality, travel and tourism aspects. These aspects are represented by different companies, TOs and organizations that contribute to the supply chain. The services provided (see figure) by hospitality and travel sectors are of tourism purpose but can also be used by other customers. Tourism in general holds a special role in an economic system like that of UAE. Tourists, TOs and suppliers of services constitute a complete supply chain of tourism. The supply chain cooperate all its sections and generates cash flows leading to economic growth. Various studies through the years indicated that supply chains operate under relations between businesses and the process of supply chains management delivers steady financial performance by improving supplying operations in the chain.

Economic Indicators of Accommodation and food service activities by Economic Activity - Emirate of Dubai 2018

Item	Added Value	Intermediate Consumption	Output	Compensation of Workers	Number of Workers
Accommodation	11,963,250	10,874,375	22,837,624	4,494,931	104,866
F n B Service Activities	7,497,508	11,294,420	18,791,928	4,586,161	119,707
Total	19,460,758	22,168,795	41,629,552	9,081,091	224,573

Source: Dubai Statistics Center, Economic Survey 2019.

The table above further describes how accommodation and services impact tourism contribution to the national economy. Through careful analysis of results and data collection of the consumption and contribution in hotels and restaurants, the total values of products and services in both sections were priced high (11.9 million in Accommodation, 7.4 million in F n B.) and generated impressive outputs. The total output added was an impressive 41.6 million UAED only in 2018. Also the number of labor force in both aspects is high as depicted in the table, people from many countries strive to work in Dubai especially in tourism because of the destination's fame and the well-known tourism brands that operate in the area, their compensations are expected to be high in both sectors of tourism because of the impressive output. "Output is based on the production of products and services within the industry". (David.a.Moss A Concise Guide To Macro Economics What Managers, Executives, and Students Need to Know. Harvard Business Press, 2014,pg.189-194) The intermediate consumptions in the graph show that tourists are going to Dubai on a high budget and are ready to spend in order to be provided with the best services. These sectors combined, contribute to large amounts of economic growth for the country.

Methodology

The purpose of this non-empirical study is to analyze various information about the impact of national economies on local tourism industries and destinations with the aid of secondary research sources and examples in order to furtherly improve the amount of knowledge upon the specific object of analysis. This is achieved through a theoretical approach. The secondary research methods that are used as sources of contacting the study include journals, articles, scientific books, published reports, data available on the internet, government publications. The sources being used aided on the advancement of the study. There is detailed analysis using various methods including description of graphs and percentages, quotes and citations of phrases or parts of other researches being used in the current study. The analytic process contacted within the study is strictly scientifically based and all the sources collected are cited accordingly. The study was based upon theoretical framework. This type of framework is a group of concepts with their definitions and references to scientific and scholar literature. The theoretical framework depicts the combination of theories and concepts that are relevant to the topic of the current study conducted.

This framework is not found within the literature or the sources used to conduct the study. An extended reviewing process of sources (readings, literature, surveys, research) must be made in order to form the central process of the dissertation. The careful selection of sources and theories were dependent upon the level of explanation, application within the passage and knowledge level. In the current dissertation, the main problem is researched and based upon an entirely new form of theoretical framework. There was also brainstorming about key themes of the issue of the dissertation, literature reviews from studies of scholars addressing the same issue in order to identify assumptions and research questions.

Conclusion and Recommendations

To conclude, Tourism industry will always be an industry of surprises, major economic interest and big investments leading to innovative experiences. New destinations are unveiled every year, new tourism trends are established through the media exposure and tourism is growing as an important part of our lives. Communities developed or not, are trying to develop destinations in most countries because tourism strives the economic system thus enables people to create a feeling of positivity, hospitality even in a country that struggles in other aspects of its system.

In order for the local tourism to prosper, governments support tourism businesses and aid them. In that way the national economic system grows thus enabling businesses make their own revenues. It is stated of course that businesses are mainly concerned about their own revenues and costs, while governments, communities or regions are concerned with tourism contribution to the entire economy, as well as the impacts social, environmental or economic.

Through detailed analysis being made in the study from scientific literature and statistics, a safe assumption would be that tourism is indeed a significant source of employment and income but some measures would be taken in order to protect, maintain and enhance the industry. Especially in countries that suffer from turmoil, economic recession or other factors, many forms of tourism and product services should be promoted to the tourist that would like to visit those destinations. Safer alternatives should be planned for accommodation, transit and entertainment services. There should be promotion in different kinds of tourism whether it is rural, eco, luxury etc. Local tourism industries should target maintaining infrastructures in safe areas of the countries and organize facilities to be able to maintain the feeling of security for their customers. Through the study it is also concluded that most important economic factors that affect local tourism are the revenues provided by the government and the expenditures to tourism because they are minimal to none in some cases, the lack of foreign investment because of the instabilities that may be encountered and the bad conditions of the economic system in general (inflation, fall of GDP, weak currency rate,

abnormal balance of trade, low corporate profits etc.). Because of these factors mentioned above it must be recognized that the local governments should start promoting their tourism and encouraging International Tourism Associations and other countries to aid them influence positive impacts on economic developments (inflation jumps, investments on infrastructure, promoting positive image of the country abroad through tourism etc.). In that way, most of those countries will stabilize not only the tourism products that their destinations can offer but will help stabilize the entire national situation and encourage economic growth and employment.

Tourism is the business of future. Tourism unites everyone and helps people move to the next level of living and sharing with each other. It is an important tool that must be maintained accordingly for the prosperity of the entire planet.

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